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RUEHDE/AMCONSUL DUBAI PRIORITY 0187
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C O N F I D E N T I A L SECTION 01 OF 02 IRAN RPO DUBAI 000002

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TAGS: [ECON](#) [ENRG](#) [EPET](#) [PGOV](#) [PREL](#) [IR](#)
SUBJECT: AHMADINEJAD AND OIL MINISTER TAKE THE HIT FOR GAS SHORTAGES

REF: A. ANKARA 0035; B. ASHGABAT 0007; C. ASHGABAT 0075

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CLASSIFIED BY: Ramin Asgard, Acting Director, Iran Regional
Presence Office, Department of State.
REASON: 1.4 (d)

1.(C) Summary: Due to gas cuts from Turkmenistan, northern and northwestern parts of Iran have been facing gas shortages since December 29; which in turn has forced Iran to cut its gas exports to Turkey (reftels). The Guardian UK reported 22 January that at least 64 Iranians have died due to gas shortages in freezing temperatures. Iranian political and economic analysts initially joined the government in blaming Turkmenistan for their woes, claiming that Turkmenistan is looking to secure a higher price for its gas. After more than 3 weeks of persistent shortages, however, blame has shifted to the Oil Minister and President Ahmadinejad, with the Supreme Leader siding with the Majles and forcing the government to provide gas supplies from emergency gas funds. President Ahmadinejad is taking a significant political hit for his initial refusal to dip into emergency reserves for northern Iran which is suffering from a particularly cold winter and record snowfalls. The longer the shortages persist during the winter months, the less popular Ahmadinejad will be in the northern provinces. End Summary.

Turkmenistan cuts its gas supplies to Iran

2.(U) Managing Director of the National Iranian Gas Company Seyed Reza Kasayeezadeh announced December 30 that as of 1030 December 29, Turkmenistan had halted its gas exports to Iran. Kasayeezadeh called on Iranians to temporarily curb their consumption in a bid to make up for the shortages felt most significantly in northern Mazandaran province. Kasayeezadeh confidently asserted that gas imports would resume within 24 hours, as Turkmen officials blamed "repair and maintenance operations" for the "temporary" halt of gas supplies to Iran.

3.(U) In the face of gas shortages Iran, in turn, reduced its gas exports to Turkey by 75% January 1 and then cut them off completely January 7. Embassy Ankara reported January 8 that according to press reports, Iran said it had no choice but to cut off its supplies to Turkey to make up for its own domestic shortages due to the Turkmenistan losses (ref A).

4.(U) Over three weeks into the cuts, the Guardian UK reported

22 January that at least 64 people have died in Iran due to the gas shortages in the freezing winter temperatures.

Blame shifts from Turkmenistan to IRI government

5.(C) One Iranian political and economic analyst, in a 14 January industry publication, echoed other reports that Iran believes the reason for the halt is an attempt by Turkmenistan to secure a higher price for its gas. According to the analyst, Turkmenistan's move has led to an impasse between the two countries, with Iran's oil minister refusing to hold talks on the issue until Turkmenistan resumes its exports, while Turkmen officials are refusing to talk until Iran pays higher prices for its gas imports. (Note: According to RFE/RL Iran is currently paying Turkmenistan \$75 per 1,000 cubic meters, while Turkmen officials are asking for \$140. Asian news sources reported 21 January that China just signed a deal to import natural gas from Turkmenistan at \$195 per 1,000 cubic meters. Endnote)

6.(U) Continued shortages and mounting death tolls are forcing Iranians to look at internal fixes instead of blaming Turkmenistan for its woes. Rooz Online reported 21 January that Oil Minister Nozari was called before the Majles to answer to the shortages. Guardian News UK reported 22 January that President Ahmadinejad suffered a "serious blow" after Ayatollah Khamenei sided with the Majles, requiring him to supply the villages suffering from power cuts with cheap gas. The Supreme Leader ordered the enactment of a law requiring the government to provide \$975 million worth of gas supplies from emergency reserve funds. Ahmadinejad had reportedly initially refused to implement the bill, accusing the parliament of exceeding its powers in passing the legislation.

7.(C) Comment: President Ahmadinejad stands to be the biggest loser in this latest energy shortage. His political backing comes largely from the provinces, not the capital. The longer the northern provinces suffer from gas shortages during the cold

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winter, the more unpopular Ahmadinejad will become in the run-up to the March parliamentary elections. This could have a negative impact on candidates seen as aligned with him. It is also noteworthy that the Supreme Leader publicly criticized Ahmadinejad for the first time on such a sensitive issue, as he has long expressed public support for the President.

8.(C) Comment continued: The irony that Iran is suffering gas shortages and needs to import gas even though it is home to the second largest gas reserves in the world, has not escaped the attention of the Iranian public. With the population calling for gas to remain within Iran it will be difficult for Iran to make good on its promised exports until it receives foreign investment and technology in the natural gas sector.

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